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Report Highlights:
Post forecasts China's broiler meat production will rise two percent in 2009 to 12.1 million metric tons. Production gains will be hampered by sluggish sales, as consumption of pork rises in response to sharply lower pork prices, reducing demand for broiler meat. Chinese broiler meat imports in 2009 will remain flat at 399,000 tons. Post expects continued robust shipments of chic ken paws, as Chinese production continues to fall short of demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Beijing [CH1]
[CH]

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Executive Summary

FAS Beijing (Post) projects China's 2009 broiler meat production will rise two percent to 12.1 million metric tons (MMT). Production gains will be hampered by sluggish consumer demand. Pork prices will remain sharply lower than 2008 levels encouraging higher pork sales and reduced purchases of chicken and other alternative meats. Rising unemployment among migrant workers, a key market segment for low-priced chicken meat, is also limiting growth. Lower feed and chick prices in 2009 will help offset reduced broiler returns.

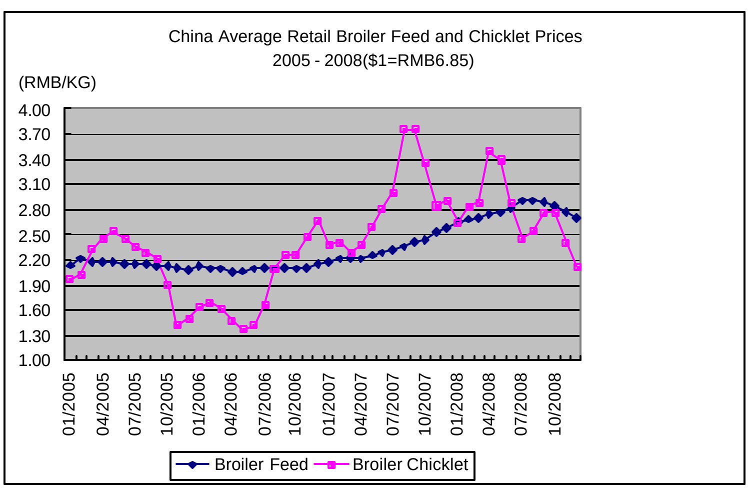
Overall, Chinese broiler meat imports are projected to remain flat at 399,000 tons. However, imports from the United States should be up slightly to 328,000 tons, fueled by higher shipments of chicken leg quarters. In addition to these sales, Post expects continued strong shipments of U.S. chicken paws, boosted by comparatively strong Chinese demand, and continued shortfalls in domestic chicken paw production.

Post forecasts China's broiler exports in 2009 will decrease by 25 percent to 215,000 MT due to weak demand in key Chinese export markets.

Production Growth to Slow in 2009

Post expects 2009 Chinese broiler production will rise just two percent to 12.1 million tons. Weak production in the first half of 2009 should be offset by stronger output in the latter half of 2009 as economic growth begins to rise later this year.

Currently, production is hampered by sluggish demand caused mainly by sharply lower pork prices, as Chinese pork production recovers from the effects of blue ear disease in 2007 and 2008. Producers are also facing reduced export demand due to the effects of the global economic crisis in Japan and other key Chinese poultry export markets. Further adding to the woes of domestic industry, there have been seven human cases of high pathogenic avian influenza (HPAI) in early 2009, which have led to some Chinese consumers reducing broiler meat purchases due to misperceptions about the transmission of the HPAI virus. Overall, as a result of weak demand, nationwide broiler meat stocks currently are estimated at 600,000 – 700,000 metric tons. There are unofficial reports of small and medium-sized broiler processing plants shutting down, especially in Shandong Province, the largest poultry producing province. While smaller plants are being challenged by the weak market, many larger processors are seizing the opportunity to purchase cheaper broiler materials for processing and putting these products in stock, while waiting for better market opportunities later this year.



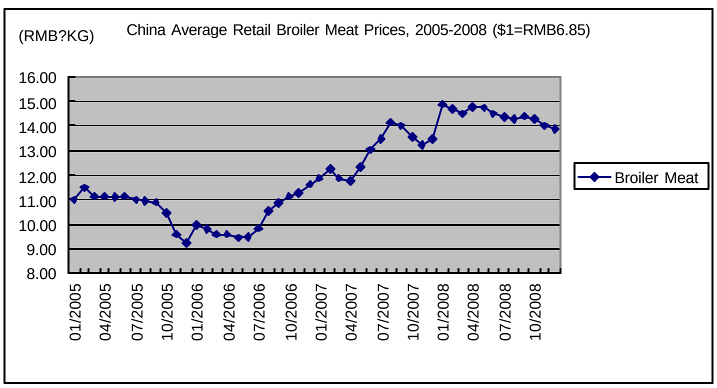
China's broiler producers are emerging from a year of major price fluctuations. Broiler chicklet prices were at high levels for most of 2007 and into 2008, because broiler meat became a vital substitute for pork as a result of sharply reduced pork supplies caused by swine blue ear disease (PRRS) in 2007. Sudden increased demand for placement led to a nearly threefold increase in commercial chicklet prices. Although broiler feed and chicklet prices rose during this period, rising broiler meat prices more than offset the effects of these cost increases. This resulted in large imports of grandparent generation breeding stocks in 2008 (over 700,000 sets according to contacts). Broiler meat prices started declining in April when pork production began recovering, reversing a trend toward higher broiler meat consumption. Breeders responded with reduced imports of grandparent generation breeding stocks and this trend has continued into 2009.

In addition to lower chicklet prices, lower feed prices will also help producers cope with lower market returns. China's grain production in 2008 rebounded to a record 528.5 MMT, up more than 5 percent from the previous year. The government reportedly purchased large quantities of corn and soybeans for reserves late last year, which will translate into more stable and cheaper feeds through 2009. Reduced production costs in 2009 are expected to encourage production gains later this year, especially among larger companies.

Chinese broiler producers do not receive significant direct subsidies, with the exception of government supports for grandparent breeding stocks verified and approved by the Ministry of Agriculture (MOA). The government provides RMB50,000–100,000 ($7,299 – 14,599) to broiler or egg layer grand-parent breeding farms based on inventory. Producers complain government support does not provide meaningful benefits and continue to lag well behind subsidies for hog producers, putting their industry at a disadvantage.

Chinese Broiler Meat Demand to Decline in 2009

Post forecasts China's broiler consumption in 2009 will fall three percent to 12.5 MMT, down from 11 percent growth in 2008. Consumption gains will be lowered mainly by continued recovery in pork demand as pork prices will remain well below record highs in 2008. Sales are also affected by rising unemployment, especially among migrant workers, a key market segment for Chinese chicken meat. An estimated 20 million migrant workers became jobless in late 2008 due to the global economic slowdown.



New trends in Chinese consumption patterns in recent years include rising demand for younger broilers (33-34 days) in Beijing and other urban areas due to rising popularity of roasted broilers. This is improving profitability since early slaughter can save production costs as the broiler meat to corn ratio for small birds is 1.7-1.8:1, compared to an average ratio of 2.1:1 and 2.6 -2.8 :1 for larger birds (44 days). Consumption of breast meat in large cities has also been increasing as urban consumers increasingly perceive these products as healthier than other meats. Historically, Chinese consumers have exhibited a strong preference for dark meat over breast meat. China's consumption of turkey meat is also rising fueled by expanding interest in western food culture. Processed products, such as turkey drum legs and wings, account for most sales.

Overall Chinese Broiler Meat Imports Slump as U.S. Shipments Continue to Rise

Total Chinese broiler imports (including paws) in 2008 rose two percent to more than one million tons, (up 9 percent in value terms to more than $1.3 billion). Excluding paws, imports of broiler meat declined 17 percent to 399,000 tons. Post forecasts imports will be roughly unchanged in 2009. However, import sales of chicken paws are expected to continue relatively strong, as domestic production of these products continues to fall short of demand.

While overall Chinese import demand has been sluggish in recent years, sales from the United States continue to rise. 2008 Chinese imports U.S. broiler meat (including paws) jumped 19 percent to 641,000 tons (up 35 percent in value terms to $841 million). Excluding paws, 2008 U.S. broiler sales to China totaled 321,000 tons, up 8 percent from the previous year. Higher Chinese imports from the United States and Argentina nearly offset sharply lower imports from Brazil, which declined due to new technical restrictions on direct Brazilian shipments in 2008.

In 2009, U.S. exports to China will face stronger competition from Brazil and Argentina because of lower prices from South America and China's expected decision to resume direct imports from Brazil. 2009 imports from the United States should be unchanged at roughly 321,000 tons. Despite rising competition, the United States is expected to remain China's largest broiler meat supplier due to reliable supplies and comparatively more product variety. Brazilian chicken product strengths are lower moisture content, due to the common practice in Brazil of air-cooled processing, and labor-concentrated parts, such as hand-packed whole wings (soldier packing). U.S. exports of chicken quarters could increase as Chinese processor demand continues to rise. Traders expect higher available U.S. leg quarter supplies due to lower demand from Russia. Sales of U.S. chicken paws to China will remain strong due to robust demand and short domestic production.

Turkey Meat Imports Strong

Post forecasts China's turkey meat imports are forecast to continue rising in 2009, up 10 percent to more than 50,000 tons. The United States accounts for nearly 90 percent of China's turkey meat imports. Rising imports are fueled by continued interest in Western food culture, especially among urban consumers with higher incomes. With low domestic production (China turkey meat production totals 4,000 MT/year), and relatively low price sensitivity compared to broiler meat, demand for imports is expected to continue strong for the foreseeable future.

Possible Trade Conflicts

In 2007, the U.S. Congress prohibited USDA from moving forward on plans to issue a proposed rule allowing China's cooked poultry exports into the United States, under Section 733 of the 2008 Omnibus Appropriations Act. The Government of China maintains this action is unwarranted. Chinese poultry interests have threatened to step up pressure to reduce imports of U.S. poultry products if the United States continues to block rulemaking.

Decreasing Broiler Meat Exports

Post forecasts China's broiler exports in 2009 to decrease by 24 percent to 215,000 MT due mainly to lower sales to Japan caused by the global financial crisis. This forecast is a major revision from Post's previous estimate in the 2008 poultry annual report (CH8073). Japan is China's largest export market by far, accounting for roughly half of total sales. Sales to other markets will also be sluggish. Although the EU lifted its ban on Chinese poultry in late 2008, sales are just commencing. EU demand has been weak, due mainly to comparatively high prices for Chinese chicken in the EU market. China's higher export prices have limited exports to other new export markets, such as South Africa, and its 2009 exports to these new markets are uncertain because of the world financial crisis.

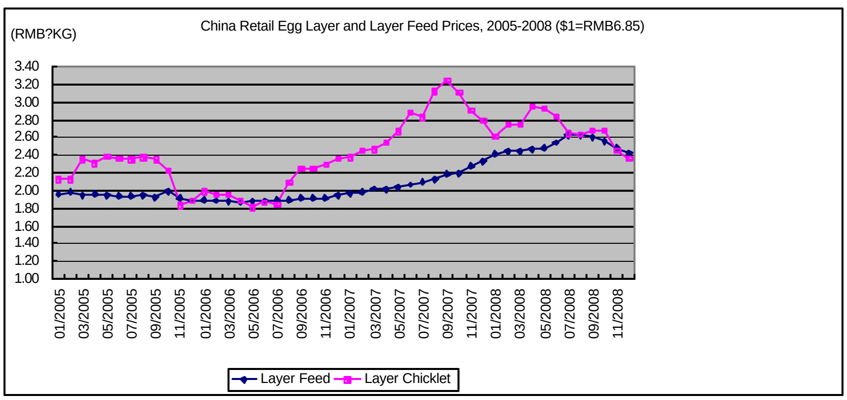
China is a net live chicken exporter, with Hong Kong and Macau accounting for most Chinese exports. These sales are based on export quotas issued by the Ministry of Commerce (MOFCOM) at end of calendar year. China's 2009 total export quota to Hong Kong and Macau is 13.4 million birds with Hong Kong 10 million birds, roughly unchanged from the previous year. Chinese live broiler exports vary widely and will mainly depend on China's HPAI outbreaks and market prices.

Chinese Poultry Egg Production to Continue Higher in 2009

Post forecasts China's total poultry egg production to grow steadily by over three percent to 27.3 MMT based on a four percent increase in the previous year.

China Total Poultry Egg production, 2003-2009 (1,000 Metric Tons)								
							Forecast	% Change
	2003	2004	2005	2006	2007	2008	2009	2009/08
Poultry Egg	23,331	23,706	24,381	24,240	25,290	26,380	27,330	3.6
Source: National Statistics Bureau								

Like broiler production, China's egg layer production experienced good profits in 2007 and the first half of 2008. However, slower economic growth in China and egg oversupplies driven by good profits pushed egg prices downward in the latter half of 2008. In addition, food safety concerns emerged when Hong Kong detected melamine in eggs imported from China, further reducing demand. Now domestic egg prices are slightly below feed costs.



Egg producers are reducing new placements to avoid further losses. Given expected lower feed prices in 2009 because of an abundant grain harvest in 2008 and the fact that there is little substitute for poultry eggs, large poultry egg producers are expected to continue increasing production, despite negligible profits.

China is a net table egg exporter, with Hong Kong and Macau accounting for 90 percent of total export sales. This pattern is expected to continue into 2009. China's exports in 2009 are expected to increase by five percent to 1.5 billion pieces.

Tables

Broiler PS&D Table

Poultry, Meat, Broiler China	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data	
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	8519	8519	8364	9,459	9259	8811	9459	0	9170	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	11500	11500	11291	12,650	12500	11895	12650	0	12133	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	482	482	482	450	600	399	450	0	399	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0		0	0	0	0	0	0	(1000 MT)
Total Imports	482	482	482	450	600	399	450	0	399	(1000 MT)
Total Supply	11982	11982	11773	13,100	13100	13100	13100	0	12532	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	358	358	358	275	400	285	275	0	215	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	358	358	358	275	400	285	275	0	215	(1000 MT)
Human Consumption	11624	11624	11415	12,825	12700	12700	12825	0	12317	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	11624	11624	11415	12,825	12700	12700	12825	0	12317	(1000 MT)
Total Use	11982	11982	11773	13,100	13100	13100	13100	0	12532	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	11982	11982	11773	13,100	13100	13100	13100	0	12532	(1000 MT)
CY Imp. from U.S.	343	297	297	315	403	321	315	0	328	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Balance	0.0	0.0	0.0	0	0.0	0.0	0.0	0	0.0	(1000 MT)
Inventory Balance	0	0	0	0	0	0	0	0	0	(1000 MT)
Production Change	11	11	9	11	10	9	0	0	2	(PERCENT)
Import Change	41	41	41	-7	7	24	0	0	0	(PERCENT)
Export Change	11	11	0	-23	3	12	0	0	0	(PERCENT)
Trade Balance	-124	-124	-124	-175	-200	-200	-175	0	-184	(1000 MT)
Consumption Change	12	12	0	12	10	9	0	0	-3	(PERCENT)
TS=TD			0				0		0	

Trade Matrices

China Broiler Meat Direct Imports, 2006-2008 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Origin	Quantity	Quantity	Quantity	% Change
	2006	2007	2008	2008/07
World	572,218	773,639	787,251	1.76
United States	390,748	508,143	572,094	12.59
Argentina	27,702	102,090	192,252	88.32
Chile	9,044	0	12,372	0.00
France	1,266	3	10,396	346433.33
Brazil	142,812	163,388	131	-99.92
Philippines	488	0	0	0.00
Canada	150	0	0	0.00
Other	8	15	6	-60.00
HS Code: 020711, 020712, 020713, 020714 and 160232				
Note: China chicken paw imports under HS Code 02071422 is included in this table, but excluded in the PS&D table.				
Source: GTA China Customs Statistics				

China Chicken Claw Direct Imports, 2006-2008 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2006	2007	2008	2008/07
World	289,171	396,331	452,170	14.09
United States	156,974	221,373	272,638	23.16
Argentina	26,907	80,972	163,722	102.20
Chile	6,439	0	9,590	0.00
France	0	0	6,114	0.00
Brazil	98,851	93,986	106	-99.89
Other	0	0	0	0
HS Code: 020714.22				
Source: GTA China Customs Statistics				

Hong Kong Re-Exports of Broiler Meat to China, 2006-2008 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2006	2007	2008	2008/07
World	177,296	252,647	255,771	1.24
Brazil	113,297	184,184	146,732	-20.33
United States	38,731	29,219	69,071	136.39
Argentina	11,454	13,996	12,703	-9.24
Netherlands	445	3,386	4,858	43.47
Chile	7,720	2,385	4,015	68.34
Canada	250	4,392	3,737	-14.91
France	932	3,734	3,544	-5.09
Denmark	0	880	2,045	132.39
Australia	45	1,511	1,783	18.00
Spain	0	360	1,304	262.22

Germany	126	1,003	1,183	17.95
Belgium	253	375	993	164.80
Poland	96	2,515	945	-62.43
United Kingdom	199	1,175	389	-66.89
Iran	2,352	1,294	146	-88.72
Other	1,441	3,769	2,323	-38.37
HS Code: 020711, 020712, 020713, 020714, and 160232				
Note: China chicken paw imports under HS Code 02071410 is included in this table, but excluded in the PS&D table.				
Source: WTA from Hong Kong Census and Statistics Department				

Hong Kong Chicken Claw Re-Exports to China, 2006-2008 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2006	2007	2008	2008/07
World	117,068	147,859	191,988	29.85
Brazil	74,274	107,173	121,164	13.05
United States	23,734	19,067	47,566	149.47
Argentina	11,112	12,751	11,066	-13.21
Chile	4,737	1,717	2,771	61.39
Denmark	0	419	1605	283.05
Canada	0	270	1563	478.89
Australia	48	1016	1,491	46.75
France	0	1281	1,463	14.21
Netherland	76	532	803	50.94
Germany	51	286	571	99.65
Poland	72	1228	291	-76.30
United Kingdom	77	223	158	-29.15
Iran	1,947	972	146	-84.98
Other	940	924	1,330	43.94
HS Code: 020714.22				
Source: WTA from Hong Kong Census and Statistics Department				

China Live Poultry Exports, 2006-2008 (Number of Bird)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2006	2007	2008	2008/07
World	8,047,799	16,350,559	7,817,033	-52.19
Hong Kong	8,047,799	13,162,920	6,275,020	-52.33
Macau	0	3,187,639	1,542,013	-51.63
Other	0	0	0	0
HS Code: 01051190, 01051210, 01051290, 01051910, 01051990, 01059410 & 01059490				
Source: GTA from China Customs Statistics				

China Broiler Meat Exports, 2006-2008 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Destination	Quantity	Quantity	Quantity	% Change
	2006	2007	2008	2008/07
World	321,761	358,053	285,316	-20.31
Japan	196,282	204,384	135,896	-33.51
Hong Kong	91,892	106,871	108,651	1.67
Malaysia	201	9,870	15,362	55.64
Korea South	12,320	11,767	6,627	-43.68
Bahrain	4,821	4,078	4,194	2.84
Kyrgyzstan	0	1,650	3,904	136.61
Macau	2,001	2,848	2,959	3.90
Iraq	1,593	3,716	1,751	-52.88
South Africa	235	1,643	851	-48.20
Azerbaijan	0	2,371	817	-65.54
Netherlands Antilles	144	794	521	-34.38
Aruba	933	986	211	-78.60
Philippines	601	898	205	-77.17
Georgia	406	362	205	-43.37
Armenia	1,409	329	205	-37.69
Maldives	1,021	0	52	0
United States	3,027	476	12	-97.48
Somalia	1,323	778	0	-100.00
Kenya	1,171	579	0	-100.00
Other	1,437	3,103	2,893	-6.77
HS Code: 020711, 020712, 020713, 020714 & 160232				
Source: GTA from China Customs Statistics				

China Turkey Meat Imports 2006-2008 (Number of Eggs)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2006	2007	2008	2008/07
World	16,795	29,808	45,305	51.99
United States	16,722	25,635	39,101	0.00
Chile	72	4,080	6,156	50.88
Other	0	0	47	0
HS Code: 020725, 020726, 020727. and 160231				
Source: GTA from China Customs Statistics				

Live Chicken and Broiler Meat Prices

China Retail Live Chicken Prices On Average 2005-2008 (RMB/KG) ($1=RMB6.85)					
					% Change
MONTH	2005	2006	2007	2008	2008/07
January	10.96	9.76	11.95	13.97	16.90
February	11.83	9.86	12.65	14.53	14.86
March	11.29	9.62	12.12	14.31	18.07
April	11.22	9.31	12.03	14.59	21.28
May	11.17	9.49	12.51	14.42	15.27
June	11.24	9.57	13.30	14.13	6.24
July	10.97	9.83	13.59	13.89	2.21
August	11.05	10.42	14.51	13.91	-4.14
September	11.06	10.85	14.35	14.15	-1.39
October	10.64	11.24	13.73	14.08	2.55
November	9.49	11.36	13.46	13.84	2.82
December	9.09	11.68	13.57	13.72	1.11
Source: The Ministry of Agriculture					

China Retail Broiler Meat Prices On Average 2005-2008 (RMB/KG) ($1=RMB6.85)					
					% Change
MONTH	2005	2006	2007	2008	2008/07
January	11.01	9.99	11.89	14.90	25.32
February	11.51	9.78	12.26	14.69	19.82
March	11.17	9.62	11.87	14.51	22.24
April	11.14	9.58	11.77	14.80	25.74
May	11.12	9.45	12.32	14.72	19.48
June	11.15	9.52	13.05	14.51	11.19
July	11.02	9.82	13.47	14.33	6.38
August	10.95	10.50	14.14	14.29	1.06
September	10.92	10.87	14.01	14.40	2.78
October	10.49	11.14	13.60	14.29	5.07
November	9.58	11.28	13.23	14.00	5.82
December	9.25	11.64	13.46	13.87	3.05
Source: The Ministry of Agriculture					

China Industry Feed Prices for Broilers On Average 2005-2008 (RMB/KG)					
($1 = RMB 6.88)					
					% Change
	2005	2006	2007	2008	2008/07
January	2.14	2.12	2.18	2.66	22.02
February	2.21	2.09	2.21	2.69	21.72
March	2.18	2.09	2.22	2.70	21.62
April	2.17	2.06	2.21	2.75	24.43
May	2.17	2.07	2.25	2.76	22.67
June	2.16	2.09	2.28	2.82	23.68
July	2.15	2.11	2.31	2.91	25.97
August	2.15	2.09	2.36	2.91	23.31
September	2.13	2.11	2.42	2.89	19.42
October	2.13	2.10	2.44	2.84	16.39
November	2.11	2.11	2.53	2.77	9.49
December	2.08	2.16	2.58	2.70	4.65

China Industry Feed Prices for Egg Layers On Average 2005-2008 (RMB/KG)					
($1 = RMB 6.88)					
					% Change
MONTH	2005	2006	2007	2008	2008/07
January	1.96	1.89	1.97	2.41	22.34
February	1.98	1.88	1.98	2.44	23.23
March	1.95	1.87	2.02	2.44	20.79
April	1.96	1.86	2.01	2.47	22.89
May	1.94	1.87	2.03	2.48	22.17
June	1.93	1.88	2.06	2.54	23.30
July	1.93	1.89	2.09	2.62	25.36
August	1.95	1.89	2.13	2.62	23.00
September	1.92	1.91	2.18	2.60	19.27
October	1.99	1.91	2.19	2.55	16.44
November	1.91	1.91	2.27	2.48	9.25
December	1.88	1.95	2.33	2.42	3.86
Source: The Ministry of Agriculture					